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AUTHOR Miller, Scott E.; Hexter, Holly
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ABSTRACT

The ways low-income families pay for college are examined, based on a national survey of student aid recipients, especially traditional undergraduate dependent students. Information is provided on the mix between loans, grants, work, and family contribution, as well as the relationship between federal, state, and college-sponsored aid. Examples of typical financial aid packages for students attending high, low, and moderately priced institutions are included. Findings indicate that: federal student aid provides a foundation of support for low-income families; other federal aid programs fill in the gap for only half of low-income students attending private colleges; students need a mix of aid sources in order to meet college costs, yet still fall short of meeting all their costs. It is concluded that low-income families need additional help in paying for college. Appendices provide data on: the number and proportion of aid recipients receiving financial aid by income level ($0-$7,499 and $7,500-$15,000), type of aid, and type of institution (public/private); common aid packages of low-income students; and the number and proportion of aid recipients receiving different combinations of aid. (SW)

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HOW LOW-INCOME FAMILIES PAY FOR COLLEGE

Scott E. Miller
Holly Hexter

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July 1985

Funding for this project provided by the Teagle Foundation

FOREWORD

Every year, those involved in setting public policy for student aid try to reach agreement on the amount of public funds that should be put into financial assistance programs, the number of students these programs should serve, and the eligibility requirements for each program. What is often lost in these discussions are realistic looks at the ways in which American families are meeting the costs of college.

This report, and its companion report on middle-income families, provides information on the ways families are paying for college. Based on recent data from a national survey of student aid recipients, these reports present an up-to-date look at the role played by family resources, grants, loans, and work in meeting college expenses. Portraits are included of individual families and the ways in which they blend their own and public resources into a financing package for their dependent students. The report's findings underscore the fact that families of aid recipients continue to pay the majority of college costs, whether through savings, work, or later repayment of loans.

In preparing these reports, the authors relied on the comments of members of the Student Aid Committee of the Association Council for Policy Analysis and Research (ACPAR). Special acknowledgement should go to the staff of the National Institute of Independent Colleges and Universities for their assistance in compiling the data on students attending independent colleges. Special thanks also to Charles B. Saunders and Patricia Smith of ACE's Division of Governmental Relations for their advice and counsel.

We are grateful to the Teagle Foundation, which provided funding for this project.

Elaine El-Khawas
Vice President for
Policy Analysis and Research

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Chapter I

Introduction: How Low-Income Families Pay for College

There are many factors that determine whether or not a student attends college -- the family's socio-economic status, the student's scholastic ability and achievement, and the family's perception of the value of a college education. Perhaps the most important of all is the family's ability to marshal the resources necessary to pay for a college education.

This report considers the circumstances of low-income families and the challenges they meet in trying to pay for college. For purposes of this report, low-income families are defined as those with adjusted gross incomes of below $15,000 per year. Only students who are dependent on their families for financial support and who are attending school full-time are discussed in this report. Much of the data cited in this report are based on a national survey of student aid recipients attending public and independent colleges and universities during the 1983-84 academic year.[1]

Families whose earnings fall below $15,000 struggle simply to meet the basic necessities of life. After accounting for expenses incurred for housing, food, clothing, and other essentials, families of four who earn less than $15,000 are left with virtually no discretionary income[2] -- the portion of income that would be used to help meet their children's college costs. These families earn substantially less than the national median income of approximately $25,000 for a family of four; many fall below the poverty threshold of approximately $10,000.[3]

Many of these families are members of minority groups, which make up a disproportionately large share of the low-income population. Nonwhites make up 17 percent of the general population but almost one-third of the families below the point that is 125 percent of the poverty level ($12,722 for a family of four).[4] Not surprisingly, therefore, nonwhite students are proportionately overrepresented among low-income student aid recipients.

Low-income students need help in meeting college costs.

There is no doubt that higher education is expensive. Undergraduate costs for four years of college education may approach $20,000 at public colleges and generally exceed $30,000 at independent schools.[5] For this reason, a myriad of federal, state, and private financial aid programs have been created to help low-income families gain access to college.

In the years since these programs were enacted, the numbers of low-income students enrolled in college have increased significantly. However, as Figure 1 illustrates, low-income students remain underrepresented in the college population.[6]

How are low-income families meeting the costs of college? What role do federal, state, and other sources of financial assistance play in ensuring these families' ability to pay for college? What is the real cost to low-income families of providing a college education for their children? These questions are addressed in this report.

Low-income families are not getting a free ride through college.

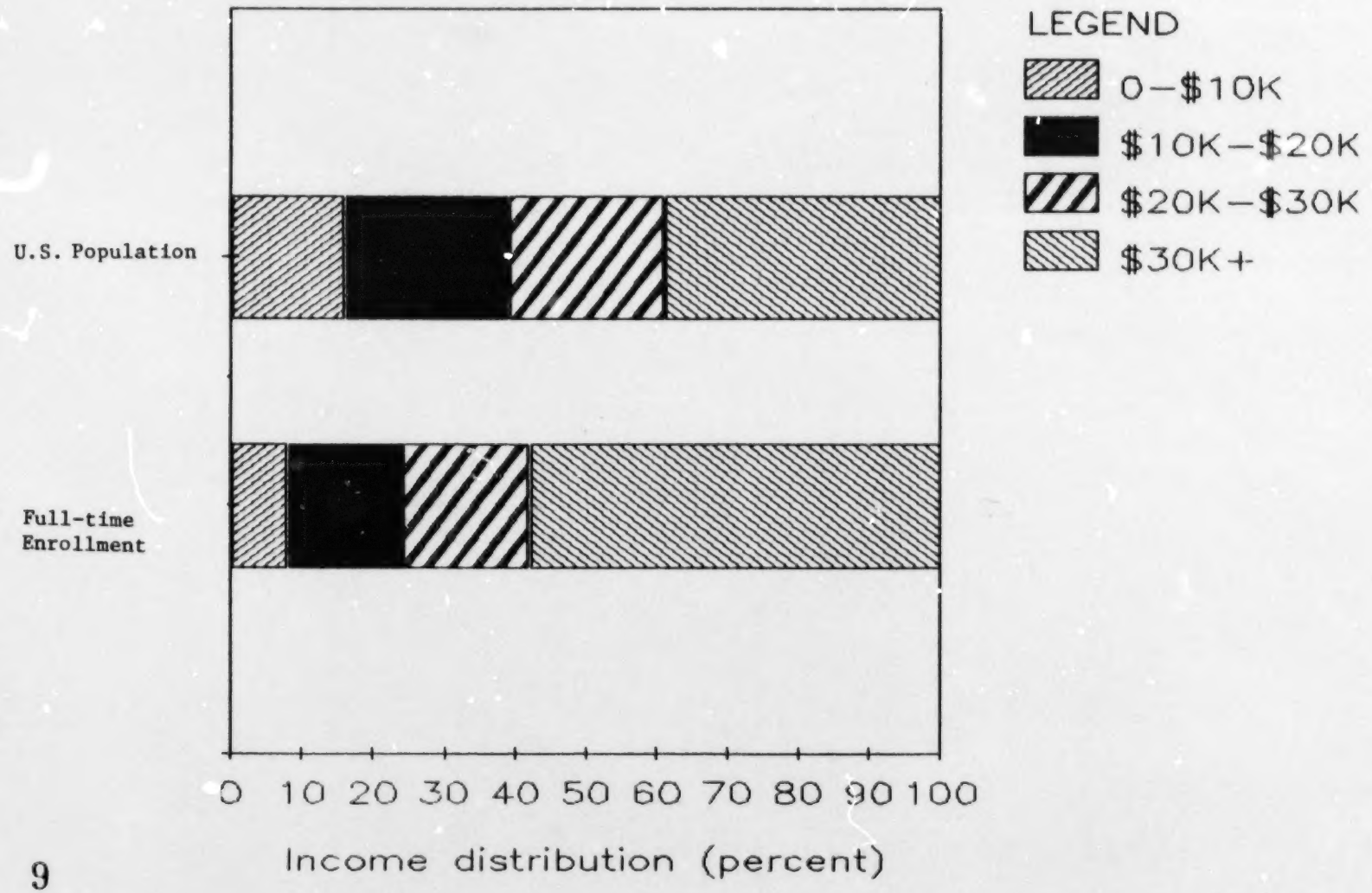
Critics of student aid programs argue that low-income students receive a free ride through college because they contribute nothing to their education; government, they contend, is picking up the whole tab for these students. Others, who may support the idea of assisting needy students, claim that the sources of financial aid are so numerous that there are no longer significant economic obstacles to attending college for those with limited resources.

The reality of this situation lies somewhat short of these two views. Yes, there is a great deal of aid available to these students, and yes, these programs provide access to college for many who otherwise would have no hope of attending. But the facts are that low-income students and their families are paying a substantial portion of the costs of college attendance and, despite the availability of student aid, a college education remains financially out of reach for many of these families.

What is the real cost paid by low-income families?

The costs of college attendance include the out-of-pocket expenses families incur as well as the amount they must borrow and the amount students must earn during the academic year or

Figure 1. Comparison of the U.S. Population and College Enrollment By Family Income, 1983



Source: U.S. Commerce Department, Bureau of the Census, After-Tax Money Income Estimates of Households: 1983, and Applied Systems Institute, unpublished data, 1985.

over vacation periods. In this report, we will use the term "real cost to the family" of college attendance. Simply defined, real cost to the family represents the portion of college costs that is not covered by grant or scholarship assistance -- aid that does not have to be repaid or earned. The real cost to the family, then, is the total cost of education minus any grants received by the student.

Low-income families pay at least half the costs of college attendance.

In general, low-income families must expect to pay at least one-half of the costs of college. At public colleges their real costs average about $2,500, while at independent colleges their real costs typically exceed $4,000 per year.

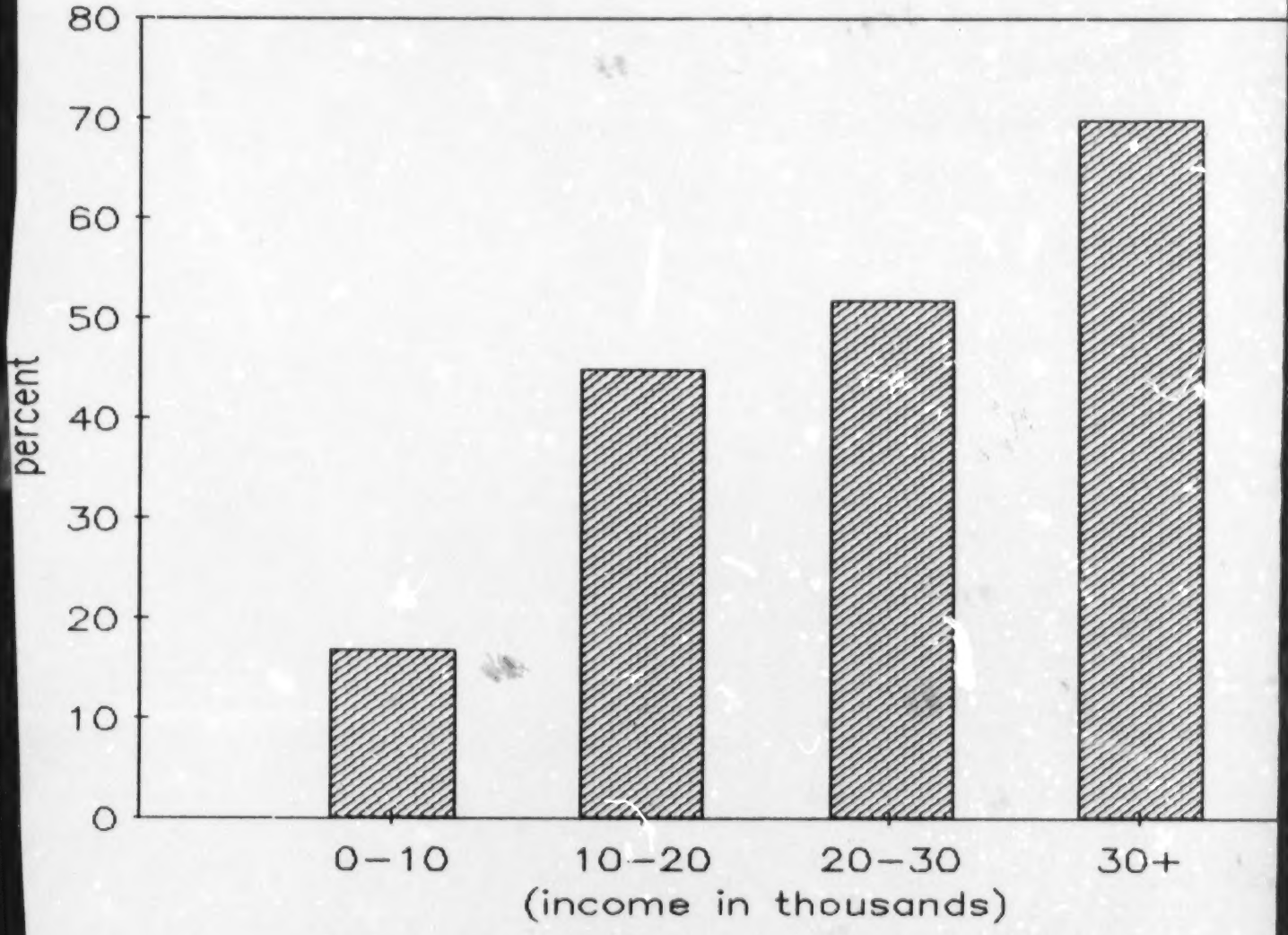
Families can try to meet college costs in a number of ways: they may borrow through federal loan programs, borrow from private lenders, borrow against the assets they hold (e.g., a second mortgage), contribute a percentage of their current income, tap into savings, rely on student earnings, or increase parental earnings while their children are enrolled in college.

Low-income families, however, cannot take advantage of most of these options. A recent survey of families across the nation found that only 17 percent of families with incomes below $10,000 could save at all for their children's college education and, at best, they could save an average of only $120 per year for that purpose (see Figures 2 and 3). The survey, sponsored by the Teagle Foundation and the National Institute of Independent Colleges and Universities, also found that the majority of families with incomes below $20,000 ranked saving for college well below their need to save for emergencies, retirement, and other necessities, including better housing.[7]

Additionally, low-income families do not have very much access to the commercial credit market. Often, these families are not able to pass tests of "credit-worthiness" and have few if any assets to list as collateral for a commercial loan.

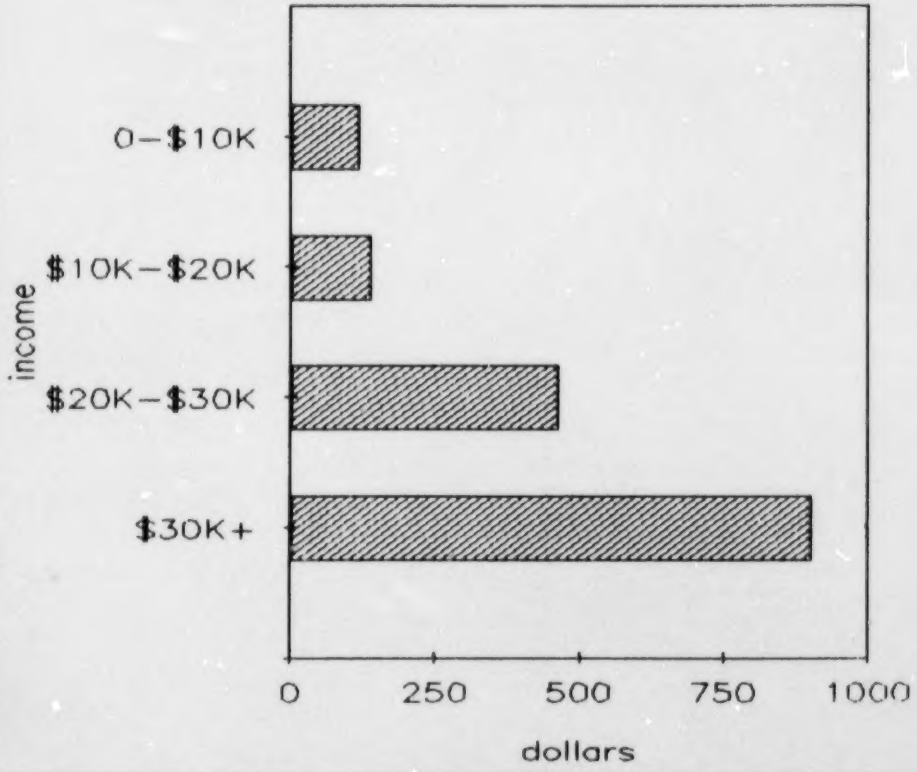
For low-income students, access to government-sponsored aid may determine whether or not to attend college and where to attend. As discussed below, not all low-income students receive federal student assistance. Those who do so rely increasingly on government loan programs to help meet the real costs of college and on other forms of assistance to help reduce those costs.

Figure 2. Percent of Parents Who Save for Children's College Education, By Income



Source: National Institute of Independent Colleges and Universities, A National Study on Parental Savings for Children's Higher Education Expenses, 1984.

Figure 3. Median Amount Parents Are Saving Annually For Children's College Education



Source: National Institute of Independent Colleges and Universities, A National Study on Parental Savings for Children's Higher Education Expenses, 1984

How low-income families pay for college

The ways in which low-income families can expect to pay for college depend largely on the type of school that the student attends. Because the family contribution is calculated according to a standard formula, the amount of the calculated contribution will not change from school to school. What will vary, however, is the mix between grants, loans, and work as well as the gap between available resources and the full cost of attendance.

These three examples of common aid packages -- combinations of family contribution and financial aid -- received by low-income students attending different schools are illustrative of the financial pictures that face low-income families.

1) Eric attends a high-cost independent college. His family earns $8,500 per year. Tuition at this school exceeds $7,000 per year; the total cost (including books, room and board, and other expenses) is $11,765. The college is located out of state, so he is not eligible for state grant support. His financial aid package looks like this:

Resource	Amount	Percentage of Costs
Family Contribution	$1,006	9%
Pell Grant	$1,635	14%
Supplemental Grant	$2,000	17%
College Work-Study	$ 875	7%
Guaranteed Loan	$2,250	19%
Subtotal	$7,766	66%
Assistance from college or other sources	$3,999	34%

Grants comprise about 21 percent of Eric's aid package, so, unless they receive additional grant assistance, Eric's family can expect to pay nearly 80 percent of the costs of college attendance. At this point, one-third of Eric's costs (nearly $4,000) are unmet, leaving it up to the school to help Eric meet the full cost of college by providing him with a college-sponsored scholarship. Without help from his college, Eric would probably not be able to attend this school.

2) Gina attends a moderately priced independent college outside her home state. Her family income is approximately $10,000 per year. Tuition at this school is $4,350. Her total cost of attendance (including books, room and board, and personal expenses) is $8,250. Gina's financial aid package looks like this:

Resource	Amount	Percentage of Costs
Family Contribution	$1,140	13%
Pell Grant	$1,500	18%
Supplemental Grant	$1,000	17%
College Work-Study	$ 520	6%
Guaranteed Loan	$2,250	27%
Subtotal	$6,410	78%
Assistance from other sources	$1,840	22%

Grants comprise about 35 percent of Gina's aid package, meaning that her family will be paying 65 percent of her total college costs. Although Gina received less total aid than Eric, her aid package covers a larger portion of her costs (78 percent) because her school's tuition is so much lower. Still, she is left with a gap of nearly $2,000 to fill. She may be able to receive a college-sponsored grant to make up the difference, but small independent colleges, like the one she is attending, do not provide as many scholarships as larger schools. Her other option may be to earn this money during the academic year; in order earn the $2,000, Gina would have to work 20 hours per week at minimum wage during the school year in addition to her work-study obligation.

3) Antoine attends a state college in his home state. His family earns approximately $6,500 per year. Tuition at the school he is attending is relatively low, $850, and his total costs (including books, room and board, and personal expenses) are $4,444. Antoine's financial aid package looks like this:

Resource	Amount	Percentage of Costs
Family Contribution	$ 800	18%
Pell Grant	$1,167	28%
Supplemental Grant	$ 500	11%
College Work-Study	$ 650	15%
State Grant	$ 600	13%
Subtotal	$3,717	83%
Assistance from other sources	$ 727	17%

Because Antoine is attending an in-state school, making him eligible for state grant aid, the grant portion of his aid package exceeds 50 percent. The real cost to his family then, is slightly less than half of the total cost of college attendance. Antoine's aid package covers 83 percent of his college costs, leaving a little more than $700 unmet. Antoine could choose to secure a GSL for that amount or for a greater amount to help his family meet its expected contribution, or he could work during the school year, in addition to his work-study obligation, to help fill the gap. Most public colleges have very little scholarship money to assist needy students; their state-subsidized tuitions have already made college more affordable for students like Antoine.

Chapter II

Federal Student Aid Provides a Foundation of Support For Low-Income Families

Low-income students clearly depend on federal student assistance as a foundation upon which to assemble the resources necessary to meet college costs. More low-income students receive aid from the five basic federal aid programs -- Pell Grants, Supplemental Educational Opportunity Grants (SEOG), National Direct Student Loans (NDSL), College Work-Study (CWS), and Guaranteed Student Loans (GSL) -- than receive state or college-sponsored assistance.

Pell Grants and Guaranteed Student Loans are the most common forms of aid received by low-income students.

Proportion of Low-Income Aid Recipients Receiving Federal Aid

Aid Program	Proportion of Public College Recipients[a]	Proportion of Independent College Recipients[b]
Pell	83%	85%
GSL	27%	61%
SEOG	24%	30%
NDSL	24%	31%
CWS	30%	41%

[a]Source: 1983-84 National Association of State Universities and Land-Grant Colleges/American Association of State Colleges and Universities/American Association of Community and Junior Colleges Student Aid Recipient Survey

[b]Source: 1983-84 National Institute of Independent Colleges and Universities Student Aid Recipient Survey

Not all low-income students receive Pell Grants.

It is important to note that not all low-income students receive Pell Grants, despite the fact that they are the program's targets. In 1983-84, about one-sixth of low-income aid recipients did not receive Pell Grants. While low-income students are generally eligible for Pell Grants, not all qualify and not all apply. Although available information does not show why certain low-income students are not receiving Pell Grants; one explanation may be that some low-income families receive significant income from nontaxable sources (e.g., Social Security, public assistance, or veterans' benefits) that precludes eligibility for Pell awards. Nevertheless, the high proportion of low-income students receiving Pell Grants attests to the program's importance to low-income students and their families. The Pell program is especially important for low-income minority students; about eight of ten white low-income aid recipients receive Pell Grants, while nearly nine out of ten minority students receive these awards.

Most Pell Grant recipients receive much less than the maximum award.

For the 1983-84 academic year, Congress set the maximum Pell Grant at $1,800. However, only a small proportion -- 14 percent -- of Pell recipients received grants of that size. Low-income students at independent colleges received an average Pell Grant of $1,450, while at public colleges low-income students received an average Pell Grant of about $1,150. The following table shows the size of the grants received by low-income Pell recipients.

Size of Pell Awards for Low-Income Students

Size of Pell Grant	Percentage of Public College Pell Recipients[a]	Percentage of Independent College Pell Recipients[b]
$1,500 - 1,800	16%	55%
$1,000 - 1,499	55%	16%
$500 - 999	24%	11%
$200 - $499[c]	5%	18%
	100%	100%

[a]Source: 1983-84 NASULGC/AASCU/AACJC Student Aid Recipient Survey
[b]Source: 1983-84 NIICU Student Aid Recipient Survey
[c]The minimum Pell Grant is $200

Among students at public and independent colleges combined, only about one in three low-income Pell recipients who are dependent on their parents for financial support receives more than $1,500 from the program. More than 40 percent receive Pell Grants ranging from $1,000 to $1,500. The remainder, about one-fourth of aid recipients, are awarded Pell Grants of less than $1,000.

Because the amount of Pell Grant that a student receives is tied to the cost of attendance, students at independent colleges are more likely to receive larger awards than their public college counterparts. One-third of the low-income students at independent colleges receive the $1,800 maximum Pell Grant.

Relatively few low-income students can assume that they will receive a maximum Pell Grant. However, most low-income students, no matter where they attend, can expect to receive more than $1,000 in Pell Grants. These grants provide a critical foundation for a financial aid package that will enable students to meet college costs.

A substantial number of Pell Grant recipients at public colleges receive no other forms of need-based aid.

In the 1983-84 school year, over 30,000 low-income students attending public colleges who received Pell Grants received no other form of need-based state, college, or federal aid. This represents about 19 percent of low-income Pell Grant recipients at public colleges. At independent colleges all but 4 percent of low-income students receiving Pell received additional forms of need-based aid.

A closer examination of the financial aid records of these students at public colleges helps explain how some of these students can meet college costs without further assistance. In addition to Pell Grants, about one in six of these students receives some form of aid awarded according to criteria other than need alone -- typically scholarships provided on the basis of academic merit, tuition discounts, or other college grants. This aid is generally sponsored by the college the student attends, but it may also come from state or private sources. Only about one in 12 students receiving only Pell Grants appears to earn enough off-campus income to preclude the need for additional aid.

Nearly 20 percent of low-income public college students receiving only Pell Grants attend schools -- primarily community colleges -- whose costs are so low that they may not require further assistance. Others receiving only Pell Grants may attend schools that do not participate in other aid programs; some are not state residents and thus are not eligible for state grant aid.

Chapter III

Other Federal Aid Programs Fill in the Gap for Only Half of Low-Income Families

Approximately half of all low-income aid recipients receive support from at least one of the federal campus-based aid programs (SEOG, NDSL, and CWS). These programs are called "campus-based" because the campus financial aid administrator determines how much of each type of aid the student will receive. Students cannot receive more aid than they need; specifically, the aid may not exceed the difference between the cost of attendance and the amount the family is expected to contribute towards college costs. Students' access to campus-based funds varies from campus to campus, because not all schools participate in all of these programs, and because the amount of campus-based funds that campuses have to distribute varies widely.

Nearly three-fifths of the low-income aid recipients at independent colleges receive at least one form of campus-based aid, while almost half of those attending public colleges can count on some assistance from one or more federal campus-based programs.

College Work-Study provides the most help in meeting college costs.

Compared to the other campus-based aid programs, the awards distributed under the College Work-Study program are by far the largest and thus can provide the most help for families as they try to meet the costs of college. Work-study awards average more than $1,300 for low-income students attending independent colleges and more than $1,000 for their public college counterparts. Average work-study awards could cover approximately 15 percent of the costs of attending independent colleges and about one-fourth of average total costs at public colleges.

Students receiving College Work-Study awards usually work for minimum wage at jobs on their college campus, although many work off-campus for nonprofit organizations (e.g., hospitals, community centers, public agencies). A student earns his or her work-study award by working during the academic year and/or over vacation periods. Over a 30-week academic year, students at independent colleges would have to work 13 hours per week at minimum wage to receive a full $1,300 award. The $1,000 average award to public college recipients works out to 10 hours per week of employment over the academic year. Work-study awards of this magnitude enable students to significantly assist their families in meeting the real costs of college.

SEOG and NDSL awards are relatively small.

Compared to College Work-Study, the awards that low-income students receive under the NDSL and SEOG programs are relatively small. Low-income students at public colleges receive National Direct Student Loans averaging between $720 and $750, while low-income students at independent colleges can expect NDSL awards of nearly $1,000.

SEOG awards average even less -- about $500 for public college students and $800 for low-income students at independent schools. Although these awards are small in size, they nevertheless can reduce the family's real cost of college by as much as 10 percent.

Chapter IV

Guaranteed Student Loans are a Very Important Source of Aid for Low-Income Students Attending Independent Colleges

In order to help close the gap between the amount of aid they receive and their total need for assistance, low-income students at independent colleges are borrowing more through the GSL program than ever before. Approximately three out of every five of these students secure a GSL. Typically, low-income students attending independent colleges borrow $2,250, an amount approaching the $2,500 maximum for undergraduate students. More than one-quarter of low-income aid recipients at public colleges secure GSLs, and these students on average borrow $1,850. Thus, a low-income student graduating from an independent college may have to repay $9,000 -- or $124 per month spread over ten years -- in GSL debt. Public college graduates may face GSL debt of nearly $7,500 -- meaning payments of $112 per month for ten years.

Minority students are less likely to borrow than white students; fewer than one-third of low-income minority aid recipients secure a GSL, compared with more than two-fifths of low-income white aid recipients.

Borrowing to meet the costs of college.

Students at independent colleges and their families face greater challenges in meeting educational costs than their counterparts at public colleges. Student expenses at independent colleges -- including room and board, books, and personal expenses -- are approximately double those at public colleges. In order to meet these costs, low-income families must avail themselves of all sources of assistance, including grants, loans, and work opportunities.

Even with a GSL, many of these students are not able to meet the full cost of their education. Low-income students attending both public and independent colleges who receive a full package of aid -- including a Pell Grant, federal campus-

based aid, and a GSL -- may still be left with one-fourth of their costs unmet. The remaining gap between costs and resources raises serious questions about how these students can remain in school. Some speculate that these students must live at a lower standard of living than is allowed for in the basic student budget -- which generally assumes a very modest living standard. As will be discussed later, college-sponsored aid may help fill this gap, especially for students at independent colleges.

Without a GSL, the gap would be even wider; these students would be able to meet only about half of their costs, because their families are already contributing as much as possible. With no discretionary income to tap, low-income families cannot be expected to provide support beyond their calculated contribution. The GSL brings these families closer to meeting their costs than would otherwise be possible.

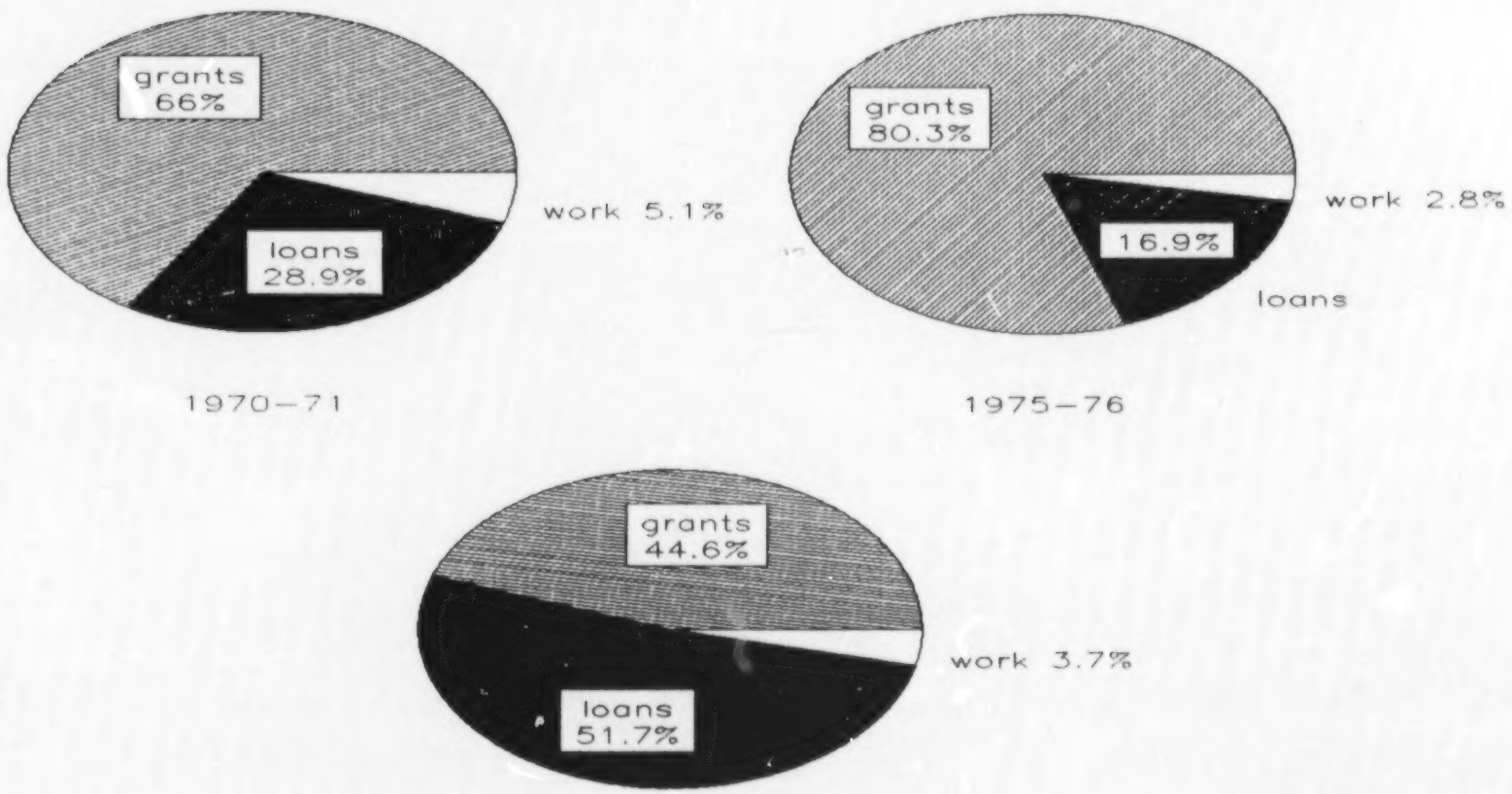
The use of loans is increasing nationally.

This wide use of Guaranteed Student Loans among low-income students mirrors a national trend towards increased borrowing among students of all income levels. The National Institute of Independent Colleges and Universities has reported steady increases in borrowing among students attending independent schools over the past five years. As recently as the late 1970s it was the exception for low-income students to borrow through the GSL program; today it is the norm.

Borrowing in general is becoming the most common form of student assistance. The College Board reports that loans are making up an increasing proportion of the aid received by all students, regardless of income. In 1970-71, for example, over 66 percent of the aid received by all students was in the form of grants; loans made up only a little more than 25 percent of available aid at that time. By 1975-76 the proportion of grants had grown to more than 80 percent of all aid dollars, and loans had shrunk to only 17 percent of total aid.[8] As of 1984-85, however, as Figure 4 shows, the pattern has reversed; loans comprise 52 percent of aid awarded and grants provide about 45 percent of all aid.[9]

Much of this shift between loans and grants is attributable to the virtual elimination of grant support that had been provided by the Social Security system to college-age children and secondly, to the phase-out of federal aid to veterans of the armed forces. At their peak, these two programs together provided over $5 billion in grant aid to postsecondary students.

Figure 4. Proportions of Aid Provided Through Grants, Loans, and Work
1970-1985



Source: The College Board, Trends in Student Aid: 1963 to 1983 and Trends in Student Aid: 1980 to 1984.

Another major factor in this shift from grants to loans is that average student awards under the Pell Grant program, which provides the most grant aid to students, have not kept pace with inflation. Between 1977 and 1984, the average Pell Grant increased by only 33 percent, while the rate of inflation (as measured by the Consumer Price Index) was 75 percent. This has significantly eroded the buying power of federal grants.

Between 1970 and 1985, the volume of student loans made through the GSL program has soared. GSL volume has grown sevenfold since the 1970-71 academic year.[10] It is this general shift from grants to loans that we see reflected in the aid packages received by today's college students.

Chapter V

Students Need a Mix of Aid Sources in Order to Meet College Costs, Yet Still Fall Short of Meeting All Their Costs

A single form of aid can go only so far in helping low-income families meet the costs of college. Nine out of ten of the low-income aid recipients at independent colleges receive aid packages that contain two or more types of student aid; nearly seven out of ten of their counterparts at public colleges also receive aid from more than one source.

The most common aid packages begin with Pell Grants and federal campus-based aid.

The most common combination of aid received by low-income students is a Pell Grant plus one of the federal campus-based aid programs. Four out of ten public college aid recipients receive such a combination, while more than five of ten low-income aid recipients at independent colleges receive a Pell Grant and some campus-based assistance. In the discussions that follow, examples will be presented of common aid packages. While students receive aid in numerous combinations (see appendix C), the aid packages cited here are ones identified as the most typical of those awarded to low-income students.

State grants round out the most common aid packages.

One-third of the low-income Pell recipients at independent colleges and one-fourth of those at public colleges receive a state grant in addition to their Pell and campus-based awards.

At public colleges, then, about 20 percent of the low-income aid recipients receive aid packages that look like this:

Family Income = $0 - $7,499

Average Cost of Attendance = $4,556[a]

Resource	Average Award	Percentage of Total Cost
Family Contribution[b]	$ 718	16%
Pell Grants	$1,258	28%
Federal Campus-Based Aid	$1,192	26%
State Grant	$ 610	13%
Total	$3,778	83%

Family Income = $7,500 - $15,000

Average Cost of Attendance = $4,572[a]

Resource	Average Award	Percentage of Total Cost
Family Contribution[b]	$ 864	19%
Pell Grants	$1,187	26%
Federal Campus-Based Aid	$1,138	25%
State Grant	$ 587	13%
Total	$3,776	83%

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[a]Cost of attendance includes tuition, fees, books, room and board, and other expenses allowed by the institution. Costs cited are the average for students receiving this aid package

[b]Family contribution as computed using the Uniform Methodology, a federally approved measure of family resources that considers parental and student income, assets, family size, and expenses

Source: 1983-84 NASULGC/AASCU/AACJC Student Aid Recipient Survey

At independent colleges, nearly 30 percent of the low-income aid recipients receive aid packages composed of Pell Grants, campus-based aid, and state grants.

Family Income = $0 - $7,499

Average Cost of Attendance = $8,071[a]

Resource	Average Award	Percentage of Total Cost
Family Contribution[b]	$1,110	14%
Pell Grants	$1,582	20%
Federal Campus-Based Aid	$1,265	16%
State Grants	$1,742	21%
Total	$5,699	71%

Family Income = $7,500 - $15,000

Average Cost of Attendance = $8,379[a]

Resource	Average Award	Percentage of Total Cost
Family Contribution[b]	$1,163	14%
Pell Grants	$1,273	15%
Federal Campus-Based Aid	$1,510	18%
State Grants	$1,487	18%
Total	$5,433	65%

[a]Cost of attendance includes tuition, fees, books, room and board, and other expenses allowed by the institution. Costs cited are the average for students receiving this aid package.
[b]Family contribution as computed using the Uniform Methodology, a federally approved measure of family resources that considers parental and student income, assets, family size, and expenses
Source: 1983-84 NIICU Student Aid Recipient Survey

These aid packages do not meet the full cost of college.

Low-income students at both public and independent colleges who receive the combination of federal and state assistance outlined above, along with their families' full expected contribution, still fall short of meeting the full cost of college attendance. Public college students fall about 15 percent short of meeting their costs, while independent college students must somehow make up at least 30 percent of their costs.

It is not entirely clear how these students -- 20 percent of low-income aid recipients at public colleges and about 30 percent of low-income aid recipients at independent colleges -- are able to fill in this gap. We do know that they have not secured Guaranteed Student Loans (which would close the gap completely for public college students and almost completely for students at independent colleges). As previously noted, these families have virtually no discretionary income to tap and can rarely call upon savings for this purpose. Thus, we can only speculate that these students are living at a lower standard than was allowed for in their student budget or that they are receiving additional support (from grandparents or other relatives, for example) that is not captured in the need analysis process.

Low-income families are paying at least half the cost of college.

Families who are receiving assistance in the form of Pell, campus-based aid, and state grants (Package #1) are still paying at least half of the costs of college attendance, as Figures 5 and 6 show. The highest real cost is borne by students at independent colleges with incomes between $7,500 and $15,000; they pay about three-fifths of college expenses, or almost $5,000 on average. As one might expect, though, low-income families are paying a lower real cost than middle-income families who generally pay between 66 percent and 100 percent of the real costs of college. For students receiving this combination of aid, the real cost increases as their family income rises.

Many students also receive GSLs in addition to Pell Grants and campus-based aid, raising the real cost to the family.

The next most common package received by low-income students resembles the one cited above, but in this case Guaranteed Student Loans are substituted for state grants (Package #2, see

appendix B). Nearly one-third of the low-income aid recipients at independent colleges receive this mix of aid, although less than 10 percent of their public college counterparts pay for college in this manner.

For low-income families whose children receive this second type of package (a Pell Grant, federal campus-based aid, and a GSL), aid covers a slightly higher percentage of costs, because GSLs are generally larger than state grants. This is especially true among low-income aid recipients at public colleges, for whom this type of package generally covers all college costs. The change in the mix of aid has a less dramatic effect on students attending independent colleges, who receive much larger state grants than do public college students.

More importantly, though, substituting a GSL for a state grant in a needy student's aid package raises the real cost paid by the family. For students with family incomes below $7,500 who attend independent colleges, the family's real cost jumps from 50 percent to more than 70 percent of college costs. At public colleges, aid recipients from this income group also bear higher costs as a result of substituting a GSL for a state grant; their real cost increases from about half to nearly two-thirds of college expenses (see Figures 5 and 6).

State aid helps lower the real cost to the family by as much as one-fifth of college costs.

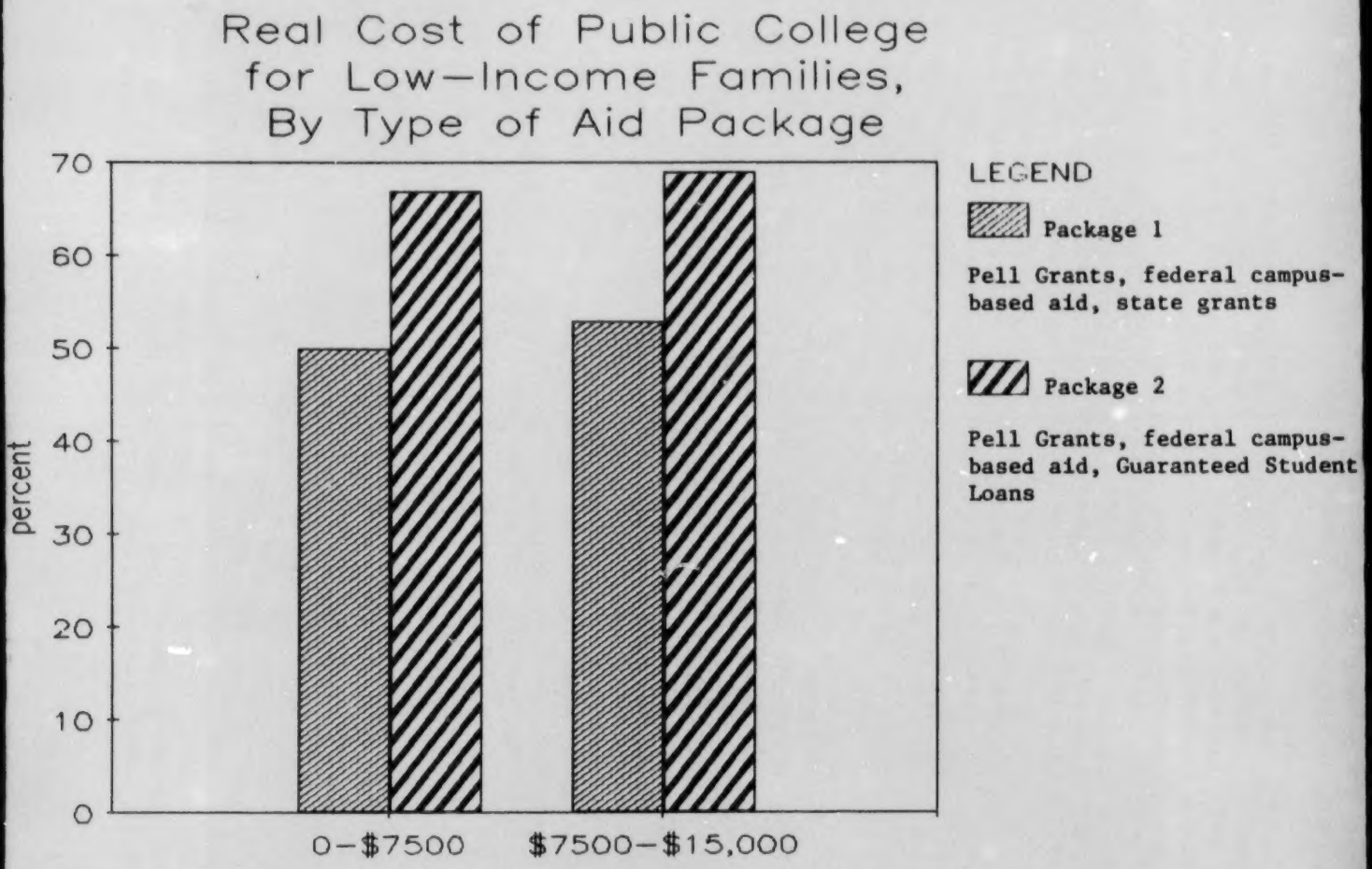
It is evident that grant aid provided by the states can make a major difference in the real cost the family pays. More than two-fifths of the low-income aid recipients at public colleges receive state grants averaging $675 each. Receipt of a state grant can lower the real cost of attending a public college by nearly 15 percent.

Among low-income aid recipients at independent colleges, three out of five receive an average of $1,675 in state grant aid. The state grant lowers the real cost of attending an independent college by one-fifth.

College-sponsored aid helps low-income students to meet the costs of independent colleges.

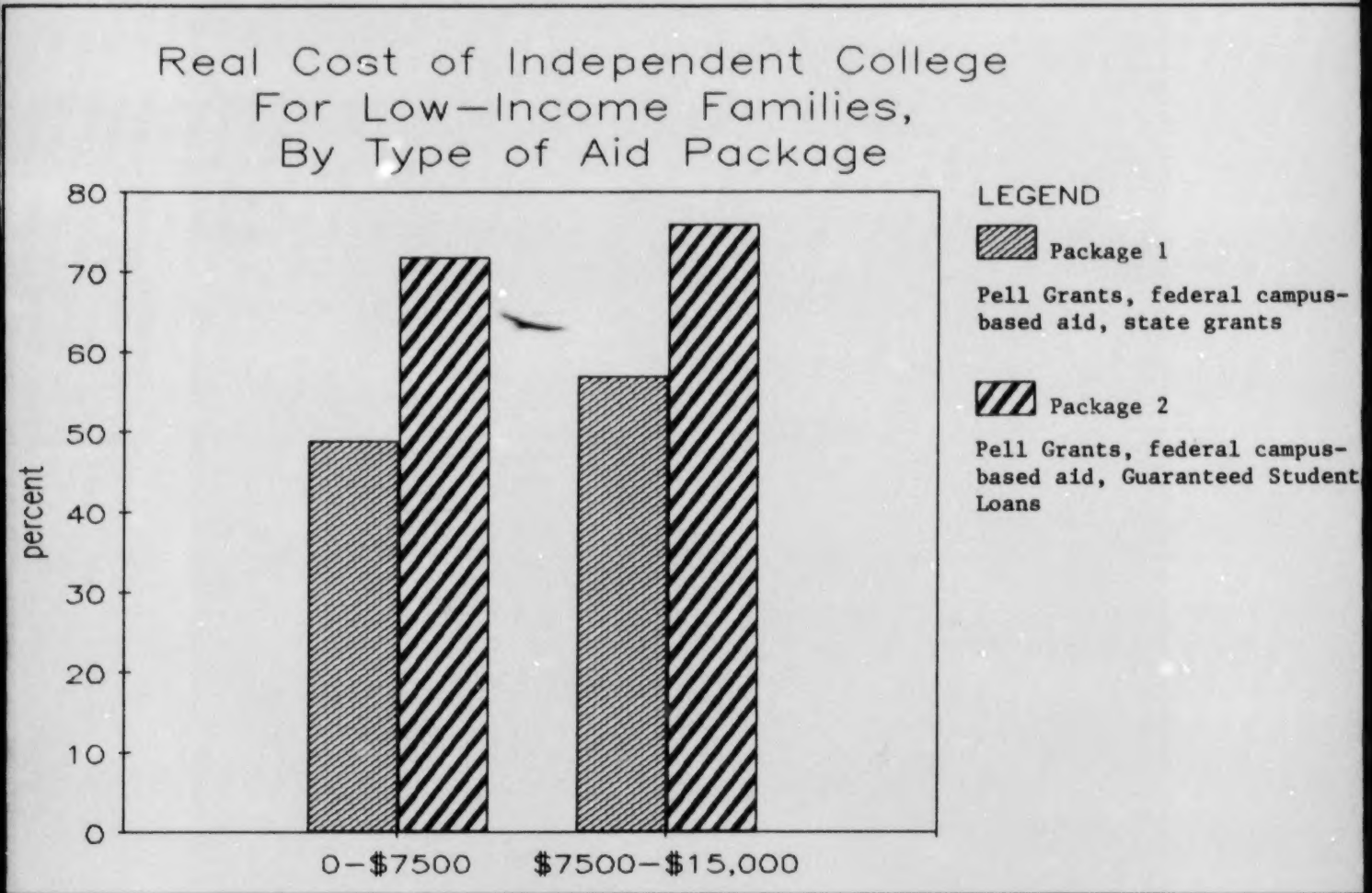
Four out of ten low-income aid recipients at independent colleges receive substantial grant assistance from the colleges they attend. These grants, which average almost $2,000 each, may cut 25 percent from a family's real costs of attendance at an independent college. In fact, a higher proportion of

Figure 5



Source: 1983-84 NASULGC/AASCU/AACJC Student Aid Recipient Survey

Figure 6



Source: 1983-84 NIICU Student Aid Recipient Survey

aid recipients at independent colleges receive need-based college-sponsored grants (43 percent) than receive aid from any one of the federal campus-based programs -- grant, loan, or work-study (29 percent, 31 percent, and 41 percent, respectively). For many low-income students, access to an independent college may hinge on their ability to receive a college-sponsored grant.

It should be noted, however, that students' access to college-sponsored aid may vary considerably. The numbers cited above are averages for those who are receiving this type of assistance. Not all colleges offer their own scholarship dollars; some have only a limited number of these grants to offer or may only award college-sponsored aid in smaller amounts than those listed above.

Because public colleges have less scholarship funds and because their tuition costs are already subsidized by state governments, they offer very few college-based grants to needy students. Only 4 percent of the low-income aid recipients at public colleges receive need-based college-sponsored grants, and these grants average less than $800.

Chapter VI

Conclusion: Low-Income Families Need Additional Help in Paying for College

While federal, state, and college-sponsored student aid provides substantial support to low-income students and their families, there remains a gap between low-income families' hopes to send their children to college and their ability to do so.

Several points raised in this report indicate that low-income families may not be receiving all the help they need in order to meet the costs of college.

- Low-income students are receiving substantial support from a combination of federal, state, college-based resources. Despite these efforts to provide student aid, low-income students are still underrepresented in the college population.

- Low-income families must foot at least half of the bill for college, either in the form of direct contribution, borrowing, or student employment.

- Not all low-income students receive assistance from federal and state sources.

- Among families that receive federal and state aid many receive only one form of aid, in amounts far below their college expenses.

- Only a fraction of those receiving Pell Grants receive the maximum award; students at public colleges receive Pell Grants averaging $1,150, while students attending independent colleges receive an average Pell Grant of $1,450.

- Needy students receiving a combination of aid sources -- an aid package -- are generally left with a sizeable gap between their resources and college costs; and they have little if any family resources to tap as they try to close this gap.

- Borrowing among low-income families is on the rise.

Low-income families depend on student assistance to afford them access to college. A recent annual survey of college freshmen revealed that up to three-fifths of those students with family incomes below $10,000 would have had to forgo college if they had received no financial aid.[11] Others may shift from full-time to part-time status or attend less expensive schools. They simply would not have the personal resources to meet all of the costs of college on their own.

There is no free ride through college for low-income families. These families are putting their personal resources on the line in exchange for the knowledge and hope that a college education promises. In order to maintain their hopes, low-income families will continue to need assistance in paying for college.

ENDNOTES

1. The 1983-84 Student Aid Recipient Surveys were conducted by the National Institute of Independent Colleges and Universities, the National Association of State Universities and Land-Grant Colleges, the American Association of State Colleges and Universities, and the American Association of Community and Junior Colleges. The American Council on Education coordinated the project and is grateful to all of the associations involved.

2. Discretionary income was calculated by deducting from adjusted gross income federal taxes for a family of four, Social Security taxes, state taxes, and the Bureau of Labor Statistics' Standard Maintenance Allowance (representing a low standard of living) for a family of four of $11,790.

3. Income and poverty data are taken from U.S. Department of Commerce, Bureau of the Census, Money Income and Poverty Status of Families and Persons in the United States: 1983, 1984.

4. U.S. Department of Commerce, Bureau of the Census, 1980 Census of Population: General Population Characteristics, 1983.

5. For the 1984-85 academic year, the American Council on Education projected total college costs averaging $4,918 for students attending public college and $9,574 for students attending independent colleges.

6. Income groups in figures have been rounded; the actual numbers are $0 - $9,999, $10,000 - $19,999, $20,000 - $29,999.

7. National Institute of Independent Colleges and Universities, A National Study on Parental Savings for Children's Higher Education Expenses, 1984.

8. Donald A. Gillespie and Nancy Carlson, Trends in Student Aid: 1963 to 1983 (New York: The College Board, 1984), 12.

9. The Washington Office of the College Board, Trends in Student Aid: 1980 to 1984 (New York: The College Board, 1984), 7.

10. Gillespie and Carlson, op. cit., 5.

11. American Council on Education and the University of California at Los Angeles, The American Freshman: National Norms for Fall 1983.

APPENDIX

Proportion of Aid Recipients Receiving Financial Aid, By Source and Type of School[a]

Public Colleges (n = 419,497)[b]

Income	Source of Aid	Recipients	% of Recipients in Each Income Group
$0-$7,499	Pell	128,520	83%
$7,500-$15,000	Pell	230,057	87%
$0-$7,499	GSL	74,056	28%
$7,500-$15,000	GSL	41,838	27%
$0-$7,499	State	64,036	41%
$7,500-$15,000	State	118,800	45%
$0-$7,499	Inst.	5,130	3%
$7,500-$15,000	Inst.	12,026	4%
$0-$7,499	CWS	47,336	30%
$7,400-$15,000	CWS	75,124	28%
$0-$7,499	NDSL	36,522	24%
$7,500-$15,000	NDSL	69,549	26%
$0-$7,499	SEOG	36,737	24%
$7,500-$15,000	SEOG	65,312	25%

Independent Colleges (n = 227,366)[c]

Income	Source of Aid	Recipients	% of Recipients in Each Income Group
$0-$7,499	Pell	91,826	87%
$7,500-$15,000	Pell	101,388	83%
$0-$7,499	GSL	62,782	59%
$7,500-$15,000	GSL	75,321	62%
$0-$7,499	State	64,278	61%
$7,500-$15,000	State	73,762	61%
$0-$7,499	Inst.	42,038	40%
$7,500-$15,000	Inst.	56,212	46%
$0-$7,499	CWS	41,109	39%
$7,500-$15,000	CWS	52,333	43%
$0-$7,499	NDSL	28,522	27%
$7,500-$15,000	NDSL	42,209	35%
$0-$7,499	SEOG	29,486	28%
$7,500-$15,000	SEOG	37,628	31%

[a]Aid recipients are full-time, dependent undergraduates who receive aid for a full year.
[b]Source: 1983-84 NASULGC/AASCU/AACJC Student Aid Recipient Survey
[c]Source: 1983-84 NIICU Student Aid Recipient Survey

Appendix B

COMMON AID PACKAGES OF LOW-INCOME STUDENTS

PUBLIC COLLEGE STUDENTS

Package #2: Average Cost of Attendance = $5,026[1]
(Aid includes: Pell, Federal Campus-Based, and GSL)

Family Income = $0 - $7,499

Resource	Average Amount	Proportion of Costs
Family contribution	$ 942	19%
Pell Grant	$1,239	25%
Federal campus-based aid	$1,035	21%
GSL	$1,635	33%
Total	$4,851	97%

Package #2: Average Cost of Attendance = $5,032[1]
(Aid includes: Pell, Federal Campus-Based, and GSL)

Family Income = $7,500 - $15,000

Resource	Average Amount	Proportion of Costs
Family contribution	$ 982	20%
Pell Grant	$1,180	23%
Federal campus-based aid	$1,191	24%
GSL	$1,715	34%
Total	$5,068	101%[2]

[1]Cost of attendance includes tuition, fees, books, room and board, and other expenses allowed by the institution. Costs cited are averages for students receiving this aid package.
[2]Sources of aid total more than 100 percent because students may use the GSL to help meet the family contribution.
Source: 1983-84 NASULGC/AASCU/AACJC Student Aid Recipient Survey

STUDENTS AT INDEPENDENT COLLEGES

Package #2: Average Cost of Attendance = $8,473[1]
(Aid includes: Pell, Federal Campus-Based, and GSL)

Family Income = $0 - $7,499

Resource	Average Amount	Proportion of Costs
Family contribution	$1,161	14%
Pell Grant	$1,578	19%
Federal campus-based aid	$1,323	16%
GSL	$2,223	26%
Total	$6,265	75%

Package #2: Average Cost of Attendance = $8,970[1]
(Aid includes: Pell, Federal Campus-Based, and GSL)

Family Income = $7,500 - $15,000

Resource	Average Amount	Proportion of Costs
Family contribution	$1,101	12%
Pell Grant	$1,302	14%
Campus-based aid	$1,697	19%
GSL	$2,180	24%
Total	$6,280	69%

[1]Cost of attendance includes tuition, fees, books, room and board, and other expenses allowed by the institution. Costs cited are averages for students receiving this aid package.
Source: 1983-84 NIICU Student Aid Recipient Survey

Appendix C

Proportion of Aid Recipients Receiving Different Combinations of Aid

Public Colleges[a]

Income	Combination of Aid	Recipients	% of Recipients in Each Income Group
$0-$7,499	Pell and state	19446	12%
$7,500-$15,000	Pell and state	32589	12%
$0-$7,499	Pell and GSL	10306	7%
$7,500-$15,000	Pell and GSL	13683	5%
$0-$7,499	Pell and any campus-based	64161	41%
$7,500-$15,000	Pell and any campus-based	115141	43%
$0-$7,499	Any campus-based	77477	50%
$7,500-$15,000	Any campus-based	130107	49%
$0-$7,499	Pell and campus and state	30741	20%
$7,500-$15,000	Pell and campus and state	56211	21%
$0-$7,499	Pell and campus and GSL	13599	9%
$7,500-$15,000	Pell and campus and GSL	25482	10%

Independent Colleges[b]

Income	Combination of Aid	Recipients	% of Recipients in Each Income Group
$0-$7,499	Pell and state	10308	10%
$7,500-$15,000	Pell and state	10569	9%
$0-$7,499	Pell and GSL	2079	1%
$7,500-$15,000	Pell and GSL	4885	4%
$0-$7,499	Pell and any campus-based	54867	52%
$7,500-$15,000	Pell and any campus-based	62710	52%
$0-$7,499	Any campus-based	59121	56%
$7,500-$15,000	Any campus-based	75111	62%
$0-$7,499	Pell and campus and state	31475	30%
$7,500-$15,000	Pell and campus and state	33834	28%
$0-$7,499	Pell and campus and GSL	33707	32%
$7,500-$15,000	Pell and campus and GSL	39568	32%

[a]Source: 1983-84 NASULGC/AASCU/AACJC Student Aid Recipient Survey

[b]Source: 1983-84 NIICU Student Aid Recipient Survey

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